



DataPro



CORPORATE RATING REPORT

AB MICROFINANCE BANK NIGERIA LIMITED

Ground Floor, Foresight House
163-165 Broad Street,
By Marina Water Front
Lagos, Nigeria
☎ 234-802 220 5312, 8055303677
Email: info@datapronigeria.net
dataprong@gmail.com
Website: www.datapronigeria.com

February, 2023

AB MICROFINANCE BANK NIGERIA LTD

Long-Term Rating:

BBB⁺

Short Term Rating: A2

Rating Outlook: Stable

Trend: UP

Currency: Naira

Date Issued: 8 Feb., 2023

Valid Till: 7 Feb., 2024

Reference:

Abiodun Adeseyoju, FCA.

Abimbola Adeseyoju.

Oladele Adeoye.

This report is provided by DataPro subject to the Terms & Conditions stipulated in our Terms of Engagement

EXECUTIVE SUMMARY

	2021 ₦'000	2020 ₦'000	2019 ₦'000	2018 ₦'000	2017 ₦'000
Gross Earnings	9,689,730	6,059,478	6,124,438	6,529,230	6,301,370
Profit Before Tax	2,420,549	(161,158)	472,257	467,280	445,996
Shareholders' Funds	5,842,284	4,332,149	4,441,619	3,897,107	3,798,546
Deposit Liability	9,806,301	7,450,267	5,491,688	3,479,624	2,261,465
Loans & Advances	20,255,726	13,002,700	11,402,417	9,815,349	9,270,957
Total Assets	24,921,462	15,992,326	14,435,608	12,551,890	12,215,598

Rating Explanation

The Short-Term Rating of A2 indicates *Fair Credit Quality* and adequate capacity for timely payment of financial commitments.

The Long-Term Rating of *BBB+* indicates *Slight Risk*. It shows Fair Financial Strength, Operating Performance and Business Profile when compared to the standard established by *DataPro*. This Bank, in our opinion, has the ability to meet its ongoing obligations, but its financial strength is vulnerable to adverse changes in economic conditions.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk indicator.

The qualitative information used were based on industry and market intelligence including public information. The quantitative information was obtained from the Bank's Audited and Management Accounts.

The risk factors were assessed using the Bank's Capitalization, Earnings Profile, Liquidity, Corporate Governance, Regulatory Compliance and Sustainability of its current healthy profile in the medium to long term period.

Overall, the following were observed:

Positive Rating Factors:

- Very Good Asset Quality
- Good Profitability
- High Quality of Institutional Shareholders

Negative Rating Factor:

- Concentration Risk

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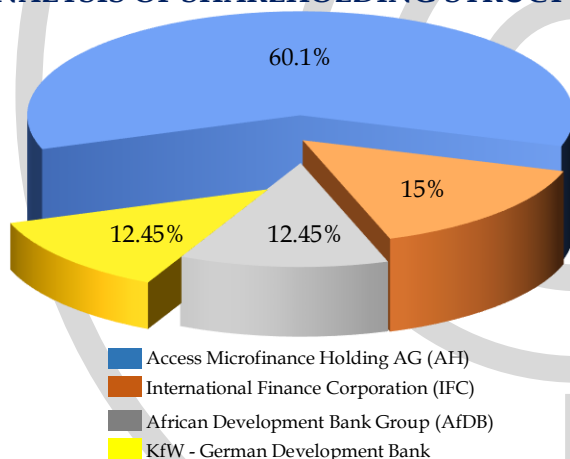
BACKGROUND

AB Microfinance Bank Nigeria Limited (the "Bank") was incorporated in May, 2008. It was granted a Microfinance Banking license by the *Central Bank of Nigeria (CBN)* in October 2008. It commenced Microfinance Banking business in November 2008 and currently operates as a *National Microfinance Bank*.

The principal activity of the Bank is the provision of banking and other financial services to Corporate and Individual Customers. Such services include the granting of loans to Micro, Small and Medium sized entrepreneurs and individuals as well as deposit mobilization from the public and other ancillary banking services.

The Bank has thirty-one branches spread across Lagos, Oyo, Ondo, Ogun, Abia, and Anambra States. However, the Corporate Headquarter of the Bank is located in *Ikeja, Lagos* State. It employs over 1,240 staff and renders services to 150, 000 customers as at 31st August, 2022.

ANALYSIS OF SHAREHOLDING STRUCTURE



Source: Prima Corporation Limited

Development Bank

The Bank has a wholly owned Subsidiary known as *Oyara Solutions Limited*. This Subsidiary was established in the year 2018. The Bank is largely owned by *Access Microfinance Holding AG (AH)* which accounts for 60.10% of its total Shares. Other significant Shareholders are: *African Development Bank Group (AfDB), International Finance Corporation (IFC) and KfW - German*

KEY FINANCIAL INDICATORS

Item Year	Gross Earnings ₦'000	PBT ₦'000	Equity ₦'000	Deposit Liabs ₦'000	Loan & Advances ₦'000	Total Assets ₦'000
2021	9,689,730	2,420,549	5,842,284	9,806,301	20,255,726	24,921,462
2020	6,059,478	(161,158)	4,332,149	7,450,267	13,002,700	15,992,326
2019	6,124,438	472,257	4,441,619	5,491,688	11,402,417	14,435,608
2018	6,529,230	467,280	3,897,107	3,479,624	9,815,349	12,551,890
2017	6,301,370	445,996	3,798,546	2,261,465	9,270,957	12,215,598

Source: AB MFB Audited Accounts

In the Year 2021, the Bank was able to ramp up Deposit Liabilities by 32%. This was in addition to Borrowings of ₦8.5b obtained from various Financial Institutions. Consequently, the Bank was able to support its lending business, growing its Net Loans and Advances by 53% in the year 2021.

Other key financial indicators also recorded significant growth during the year under review. Gross Earnings, Total Assets and Equity grew by 60%, 59% and 56% respectively. On account of significant growth across the Key Financial Indicators, the Bank realized Profit Before Tax of ₦2.4b in the year 2021 as against the loss recorded in 2020.

DIRECTORS' PROFILE

The following Directors served on the Board during the year 2021; *Mr. Johannes Mainhardt - Chairman; Mr. Pawel Wodz - Managing Director; Mr. Marcus Hannappel; Ms Modupe Ladipo; Mr. Oliver Robbert Mark Van Bergeijk; Mr. Abayomi Ayodabo; Dr. Marc Lucassen and Mr Mikhail Velichko.*

The Directors' profile is as follows:

- 1. Name:** Mr. Johannes Mainhardt
Position: Chairman
Profession: Portfolio and Investments Manager
Education:
 - B.Sc – Business Administration**Experience:**
 - Access Microfinance Holding AG
 - Credo Bank, Georgia**Year of Board Membership:** 2018
- 2. Name:** Mr. Pawel Wodz
Position: Managing Director/CEO
Experience (Years): 16 years
Education:
 - Global Executive MBA, IESE
 - Second Major, Warsaw School of Economics
 - M.Sc- Warsaw School of Economics
 - Chartered Institute of Bankers of Nigeria (CIBN)**Experience:**
 - AB Microfinance, Nigeria Limited
 - Access Bank, Tanzania
 - LFS Financial Systems GmbH
 - The Boston Consulting Group
 - Roland Berger Strategy Consultants**Year of Board Membership:** 2021
- 3. Name:** Mr. Marcus Hannappel

Position: Non-Executive Director
Education: ●M.Sc in Economics
Experience: ●AB Microfinance, Nigeria Limited
 ●Access Microfinance Holding AG

Board Membership: 2011

- 4. Name:** Ms Modupe Ladipo
Position: Independent Non-Executive Director
Profession: Financial Inclusion Expert
Experience (Years): Over 25 years
Education: ●
Experience: ●CEO, EFinA
Board Membership: 2019
- 5. Name:** Mr. Oliver Robbert Mark Van Bergeijk
Position: Non-Executive Director
Education: ●B.Sc - Economics
Experience: ●KfW Development Bank
 ●ICF Debt Pool LLP
Board Membership: 2017
- 6. Name:** Mr. Abayomi Ayodabo
Position: Non-Executive Director
Profession: Banker
Experience (Years): Over 30 years
Education: ●MBA -Ladoke Akintola University of
 Technology (LAUTECH)
 ●Institute of Chartered Accountants of Nigeria (ICAN)
 ●Certified Public Accountant (CPA)
Experience: ●African Development Bank
Board Membership: 2019
- 7. Name:** Dr. Marc Lucassen
Position: Independent Director
Experience: ●Delegate, German Industry and Commerce
 ●Nigeria-German Chamber of Commerce
Board Membership: 2019
- 8. Name:** Mr Mikhail Velichko
Position: Non-Executive Director
Experience (Years): 20 years
Education: ●B.Sc- Economics
Experience: ●AB Microfinance, Nigeria Limited
 ●Swiss Investment Advisory Firm, US
 ●Madagascar Professional Banking Association
Board Membership: 2020

SECTOR REVIEW

Nigeria is the leading economy in Africa. It has a population of over 200 million people. The Country's Gross Domestic Product grew by 2.25% in the third quarter of 2022. However, this was a 1.78% decline compared to the 4.03% growth recorded in Q3 2021. The Financial Sector of the Economy contributed 3.6% to the GDP. The Sector contribution to real GDP dropped to ₦559b in Q3 2022, representing a decline of 9.24 per cent from ₦655b in Q2 2022.

The Nigerian Banking industry plays a key role in the economic growth of the country and is therefore one of the most heavily regulated sectors in Nigeria. The Sector consists of 24 Commercial Banks, 6 Merchant Banks, 876 Microfinance Banks and 2 Specialized Banks licensed to provide Non-Interest Banking services to Corporate Entities and Individuals. The Banking sector has undergone two phases of Regulatory driven reforms generally in 2004 and 2009.

In an effort to attain soundness in the banking industry and manage liquidity effectively, the CBN introduced in 2006 a new framework for *Monetary Policy Implementation*, using the short-term interest rate known as *Monetary Policy Rate (MPR)* as its benchmark. The *MPR* serves as an indicative rate for transactions in the Interbank Money Market as well as Money Market Rates.

In a bid to curtail inflation, the *CBN* increased the *MPR* from 15.5% to 16.5% in November. This could have the effect of limiting borrowing from Financial Institutions due to the high costs and lead borrowers to find alternative sources of finance.

The *CBN* has maintained its periodic interventions in the Foreign Exchange Market to boost liquidity and enhance access to Foreign Exchange, unbridled demand and ensure stable Exchange Rates. The *CBN* has been managing its Foreign Exchange Reserves tightly because of lower Oil receipts. Currently, the official Exchange Rate to the dollar as at February, 6th 2023 was ₦160.42 while the exchange rate at the parallel market stood at ₦755.

Currently, the country is faced with the challenges of implementing the Central Bank of Nigeria (CBN) Naira Redesign Policy (Cashless Policy), long queues for PMS at Gas Station and epileptic power supply. This has further eroded the purchasing power among Nigerians in addition to compounding manufacturing challenges.

Presently, inflation Rate as at the month of December 2022 is 21.34%. General improvements in the economy will largely support continuous growth in the Banking Sector. The critical success factor for the operators is the ability to creatively enhance service delivery in order to retain customer loyalty.

CAPITAL ADEQUACY

Year	2021	2020	2019
Item	₦'000	₦'000	₦'000
Shareholders' Funds	5,842,284	4,332,149	4,441,619
Total Assets	24,921,462	15,992,326	14,435,608
Fixed Assets	566,191	292,968	242,004
Loans & Advances	20,255,726	13,002,700	11,402,417
Equity/Total Assets (%)	23	27	31
Equity/Loan & Adv. (%)	29	33	39
Fixed Assets/Equity (%)	10	7	5

Source: AB MFB Audited Accounts

higher than ₦4.3b in the prior year. The growth was driven majorly by the increases in Retained Earnings as well as Statutory Reserves. These Reserves accounted for 89% of the Tier 1 Capital. The Bank did not record any item of Tier 2 Capital in the year

COMPONENT OF TOTAL ASSETS

Year	2021	%	2020	%
Item	₦'000		₦'000	
Cash & Cash Equivalent	475,669	2	384,661	2
Due From Banks	2,049,072	8	1,005,111	6
Investment Securities	663,811	3	487,801	3
Loans & Advances	20,255,726	81	13,002,700	81
Other Asset	910,993	4	819,084	5
Property, Plant & Equipment	566,191	2	292,968	2
Total	24,921,462	100	15,992,326	100

Source: AB MFB Audited Accounts

29% recorded in the prior year. The decrease in CAR was as a result of the growth in the Risk Weighted Assets of the Bank. Despite the decrease in CAR, the Bank performed better than its targeted ratio of 15% and regulatory minimum of 10%.

The Bank's Issued Share Capital for the past five years remained at ₦2.1b. The Bank was able to grow its Equity in the year 2021 after a slight decrease recorded in the year 2020. The latest growth was on account of improved profitability.

As at 31 December 2021, the Bank's Core Tier 1 Capital was ₦5.8b. This was 17% higher than ₦5.8b in the prior year. Therefore, Total Qualifying Capital of the Bank in the year 2021 was ₦5.8b. This is above the CBN proposed new Capital of ₦5b for National Microfinance Banks in Nigeria.

The Bank's Capital Adequacy Ratio (CAR) was Computed using Basel II principles. As at the year ended 2021, the Bank's CAR was 26%. This is lower than

ASSET QUALITY

In the year 2021, Total Assets was ₦24.9b reflecting a growth rate of 56%. The Loan portfolio remained the dominant asset class. Gross Loans and Advances grew significantly by 53% over the year 2021 to ₦20.8b. The Bank also extended loans to its staff. This accounted for less than 0.5% of the total Loan Portfolio.

Item	Year 2021 ₦'000	2020 ₦'000
Gross Loan & Advances	20,866,384	13,620,950
Classified Loan	168,737	363,242
Provisions	610,658	618,250
Classified Loans Prov./Classified Loans (%)	362	170
Classified Loans/Equity (%)	3	8
Classified Loans/Gross Loans (%)	1	3

Source: AB MFB Audited Accounts

In terms of Sector, the Bank's largest exposure was in the Trade and Commerce Sector which accounted for 85% of the Loan portfolio in the year 2020 and 2021. The Bank intends to diversify its loan portfolio in order to mitigate concentration risk going forward.

Other significant sectors such as Services and Manufacturing Sectors accounted for 8% and 5% of the Bank's Loan portfolio respectively.

A review of the Bank's Loan portfolio revealed that it is streamlined to short tenured transactions. This is evidenced by the 92% of Net loans that were categorized in the "less than 12 months" maturity bucket as at 31st December, 2021. The Bank's book also showed considerable growth in Net Loans and Advances to ₦25.9b as at October 2022.

The Stage Three segment of the Total Loan Exposure during the year dipped from ₦363m (Yr. 20) to ₦168.7m (Yr. 21) due to decrease in impairments during the year. Consequently, Non-Performing Loan Ratio dropped to 1% from 3% recorded in the year 2020. The impaired portion of the Bank's Loans was adequately provided for in the year under review.

LIQUIDITY

Item	Year 2021	2020
Loan & Advances/Total Assets (%)	70	72
Liquid Assets/Total Assets (%)	25	22
Liquid Assets/Total Deposits (%)	81	64
Loans & Advances/Total Deposits (%)	225	211

Source: AB MFB Audited Accounts

As at 31 December 2021, The Bank's Deposit from customers was ₦9.8b (Yr. 21). This was a growth of 32% compared with the year 2020. Classifications of Deposits by product type include: Term, Savings and Current. Term Deposits accounted for the largest portion of Deposits Liabilities. It grew by 34% and contributed 81% of the total obligations to Customers in the year 2021.

ANALYSIS OF DEPOSITS BASED ON TYPE

Item	Year 2021 ₦'000	%	2020 ₦'000	%
Term Deposits	7,910,583	81	5,975,977	80
Savings Account	753,573	8	598,370	8
Current Accounts	838,346	8	545,996	8
Others	303,799	3	329,924	4
TOTAL	9,806,301	100	7,450,267	100

Source: AB MFB Audited Accounts

The Bank is also funded by Borrowings sourced from Banks and other Financial Institutions. As

ANALYSIS OF DEPOSITS BASED ON MATURITY

Months	2021 ₦'M	%
Up to 1 month	3,743,423	38
1 - 3 months	3,109,834	32
3 - 12 Months	2,953,044	30
TOTAL	9,806,301	100

Source: AB MFB Audited Accounts

year amounted to 94% of Gross Loans in the year 2021.

ANALYSIS OF NET LOANS AND ADVANCES BASED ON MATURITY

Months	2021 ₦'M	%
Less than 1 month	317,252	2%
1 - 3 months	2,023,497	10%
3 - 12 Months	16,621,573	82%
1 - 2 Years	1,293,404	6%
TOTAL	20,255,726	100

Source: AB MFB Audited Accounts

LIQUIDITY GAP ANALYSIS

Year	2021 Loans & Advances ₦'000	2021 Deposit Liabilities ₦'000	Net Liquidity Gap ₦'000
Liquid Assets			3,188,552
Less than 1 Month	317,252	3,743,423	(237,619)
1-3 Months	2,023,497	3,109,834	(1,323,956)
3-12 Months	16,621,573	2,953,044	12,344,573
1 year to 2 years	1,293,404		13,637,977

Source: AB MFB Audited Accounts

2020 and 2021 respectively. The Bank reported a Liquidity ratio of 36% as at the year-end 2021 as against 33% (Yr.20). This is above the Statutory minimum of 30%.

at 31st December, 2021, Total Borrowings amounted to ₦7.3b as against ₦3.3b (Yr. 20). It also funded 38% of the Asset base, in the year 2021 as against 28% (Yr. 20).

The maturity profile of the Bank's Deposits was significantly in short term. The portion of the Bank's Loans and Advances maturing within a

There existed a mismatch between the maturity profile of the Bank's Loans and Deposit Liabilities. However, the Liquid Assets of the Bank was able to provide necessary cushion for the gap created as a result of the mismatch. Consequently, the Bank recorded short term liquidity surplus of ₦12.3b.

Loan to Deposit ratio was 213% (Yr. 21) as against 183% (Yr. 20). This is significantly above the minimum limit of 65% required by the Regulator. Aside Deposit Liabilities and Borrowings, other item of Total Liabilities includes Tax Liabilities, Provisions and Other Payables.

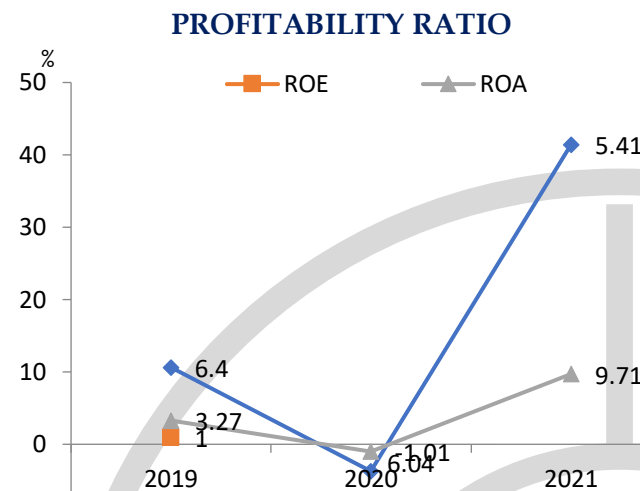
The Assets of the Bank were highly liquid in the year. The liquid portion of the Total Assets was 12% and 13% for the years

PROFITABILITY

The Bank's sources of Revenue can be classified into Interest, Fees and Commission.

During the Financial year ended 31st December, 2021, the Bank's Earnings were influenced by increase in the Loan portfolio and returns on investment securities.

Overall, Gross Earnings grew by 60% to ₦9.7b in the year 2021. The Bank already surpassed this feat by the period ended October 2022. Total Income recorded for the period amounted to ₦10.6b.



Source: AB MFB Audited Accounts

In the year 2021, The Bank recorded Interest Income of ₦9.3b. This was 60% higher than ₦5.8b recorded in the prior year. The sources of Interest Earnings were Loans and Investments including balances with Banks and Debt Securities. Earnings from Loans and Advances contributed 99% of the total Interest Income and accounted for its increase during the year under review.

Given moderately high investments and interest rates in 2021, the Bank recorded 19% increase in interest expense. The growth in Interest Income exceeded that of Expenses. Consequently, Net Interest Margin grew from 79% (Yr.20) to 84% (Yr.21).

There was a write-back of ₦62m compared to a charge of ₦337m during the year under review. The reversal of loan loss provision on some loans that were repaid during the year, accounted for the write-back.

Non-Interest Income supported the Bank's Earnings during the years under review. Its contribution to Gross Earnings increased to 7% in the year 2021 as against 3% in 2020. Fees and Commission Income from various sources recorded 52% increase during the year. It went up from ₦259m (Yr. 20) to ₦394m (Yr. 21).

Operating Expenses increased by 27% to ₦5.8b during the year 2021. The growth was enhanced by increases in Personnel Cost, Depreciation Charge and other Administrative expenses.

The growth in Operating Profit was able to accommodate the rise in Operating Expenses. Consequently, Cost to Income Ratio declined to 71% in the year 2021 from 103% (Yr. 20). Therefore, Pre-Tax Profit was ₦2.4b (Yr. 21) as against a loss of ₦161m (Yr. 20). The Bank reported Return on Equity and Return on Asset of 41% and 10% respectively during the year.

In the period ended 31st October 2022, the Bank reported Profit Before Tax of ₦2.1b. This is an indication of a better profitability performance in the year 2022.

CORPORATE GOVERNANCE & RISK MANAGEMENT

The Board of the Bank comprised of Eight (8) members. The composition is made up of the Chairman and six (6) other Non-Executives as well as one (1) Executive Director. Included in the Non-Executives are two (2) Independent Directors.

The Board operates with five (5) Committees. These are: Audit, Credit and Risk, Governance, Nominations and Remuneration, Asset and Liabilities and Risk Management Committees.

The Board manages its risk through the Risk Management Committee.

RISK FACTORS

In the course of our review of the Bank's documents, we observed the following risk factors:

- **CONCENTRATION RISK**

Concentration Risk is the risk of loss to income as a result of significant exposure to an Individual, Connected Entity or a particular Sector.

Based on our review, the Bank's exposure to Trade and Commerce as a proportion of its entire loan portfolio was 85% (Yr. 20& 21). Consequently, adverse movement in that Sector of the economy may affect the Bank's Earnings.

- **LIQUIDITY RISK**

This is the risk arising from inability to meet obligations as they fall due.

Based on our review, the Bank reported a Liquidity ratio of 36% as at the year-end 2021 as against 33% (Yr.20). This is above the statutory minimum requirement of 30%.

- **FOREIGN EXCHANGE RISK**

Foreign Currency Risk is the Risk arising from adverse movements in Exchange Rates.

Based on our review, the Bank sourced long term and medium-term financing from foreign sources. The functional currencies for these were Euro (EUR) and US Dollar (USD). Consequently, the Bank may be affected in the event of adverse movement in Exchange Rates.

We noted in the course of our review the Bank's effort at sourcing financing from domestic market in order to mitigate currency risk.

FUTURE OUTLOOK

The Bank issued Commercial Papers to raise funds from Investors. This is to enable the Bank increase its outreach and operate profitably.

Also, plans are ongoing to open two additional branches in Delta State by the third Quarter of 2023.

CONCLUSION


We have reviewed the document presented by the *Bank*. The Rating is supported by the Bank's very good Asset Quality, good Profitability and quality of Institutional Shareholders.

Consequently, we assigned a Rating of *BBB+*.

FINANCES

Financial Position as at

	Dec, 2021		Dec, 2020		Dec, 2019
	₦'000	Δ%	₦'000	Δ%	₦'000
ASSETS					
Cash and cash equivalent	475,669	23.66	384,661	(40.40)	645,359
Due from Banks	2,049,072	103.87	1,005,111	(16.09)	1,197,794
Loans and advances	20,255,726	55.78	13,002,700	14.03	11,402,417
Investment Securities	663,811	36.08	487,801	83.37	266,023
Other assets	883,115	24.74	707,978	9.83	644,633
Property and equipment	566,191	93.26	292,968	21.06	242,004
Prepaid Software	27,878	84.00	15,151	67.41	9,050
Deferred Tax Assets		(100.00)	95,955	238.74	28,327
Total assets	24,921,462	55.83	15,992,325	10.78	14,435,607
Liabilities:					
Due to Customers	9,806,301	31.62	7,450,267	35.66	5,491,688
Borrowed funds	7,354,131	125.44	3,262,091	(3.55)	3,382,194
Current tax liabilities	720,859	1,523.30	44,407	(76.77)	191,141
Other liabilities	1,104,287	22.24	903,412	(2.75)	928,965
Deferred liabilities	93,600	#DIV/0!		#DIV/0!	
Total liabilities	19,079,178	63.63	11,660,177	16.67	9,993,988
Net assets	5,842,284	34.86	4,332,148	(2.46)	4,441,619
Equity:					
Issued Share capital	2,100,000	-	2,100,000	-	2,100,000
Retained earnings	2,173,781	108.78	1,041,180	(9.51)	1,150,650
Statutory reserves	1,568,503	31.70	1,190,969	-	1,190,969
Total equity attributable to equity holders of the company	5,842,284	34.86	4,332,149	(2.46)	4,441,619
Gross earnings	9,689,730	59.91	6,059,478	(1.06)	6,124,438
Profit before taxation	2,420,549	(1,601.97)	(161,158)	(134.13)	472,257
Taxation	-910,414	(1,861.36)	51,688	(114.67)	(352,404)
Profit after taxation	1,510,135	(1,479.50)	109,470	(191.34)	119,853

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 8 February, 2023

For and on behalf of:
DataPro Limited
Ground Floor, Foresight House
By Marina Water Front
163/165 Broad Street, Lagos Island, Lagos.
Tel: 234-1-4605395, 4605396
Cell: 0805-530-3677
Email: info@datapronigeria.net, dataprong@gmail.com
Website: www.datapronigeria.net

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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA through DD. Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long-term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA	Lowest Risk.	<i>(Superior)</i> Assigned to banks which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA	Lower Risk	<i>(Excellent)</i> Assigned to banks which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion, have a very strong ability to meet their ongoing obligations.
A	Low Risk	<i>(Very Good)</i> Assigned to banks which have very good financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion, have a strong ability to meet their ongoing obligation.
BBB	Slight Risk	<i>(Fair)</i> Assigned to banks which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion, have an ability to meet their current obligations, but their

financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator Meaning Explanation

BB	Moderate Risk	<i>(Marginal)</i> Assigned to banks which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B	High Risk	<i>(Weak)</i> Assigned to banks which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These banks, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC	Higher Risk	<i>(Poor)</i> Assigned to banks, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These banks, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD	Highest Risk	<i>(Very Poor)</i> Assigned to banks, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These banks, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.

SHORT-TERM RATING

Indicator	Meaning	Explanation
A1+	Highest credit quality	Indicates the strongest capacity for timely payment of financial commitments. May have an added “+” to denote any exceptionally strong credit feature.
A1	Good credit quality	A satisfactory capacity for timely payment of financial commitments, but the margin of safety is not as great as in the case of the higher ratings.
A2	Fair credit quality	The capacity for timely payment of financial commitments is adequate. However, near term adverse changes could result in reduction to non investment grade.
B	Speculative	Minimal capacity for timely payment of financial commitments, plus vulnerability to near term adverse changes in financial and economic conditions.
C	High default risk	Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon a sustained, favorable business and economic environment. Indicates an entity that has defaulted on all its financial obligations.